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PEOPLES CREDIT JEWELLERS LIMITED

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ANNUAL REPORT



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PEOPLES CREDIT JEWELLERS LIMITED

directors

BERTRAND GERSTEIN, chairman

MARVIN GERSTEIN

IRVING R. GERSTEIN

officers

MARVIN GERSTEIN
president

W. R. NORMAN CAMPBELL, C.A.
vice-president, finance & treasurer

JAMES A. HENRY
vice-president, operations

IRVING R. GERSTEIN
vice-president, merchandising

IRWIN KOFFMAN
secretary

head office

181 YONGE STREET, TORONTO 1, CANADA

transfer agent

CANADA PERMANENT TRUST COMPANY,
253 BAY STREET, TORONTO 1, CANADA

PEOPLES CREDIT JEWELLERS LIMITED

FIFTY-SEVEN STORES AS AT JANUARY 31, 1968

	<u>P.C.J.</u>	<u>Mappin's</u>	<u>Leased Departments</u>
BELLEVILLE			1
CALGARY	1		
EDMONTON	5		
FORT WILLIAM		1*	
HALIFAX	1		
HAMILTON	1		
KINGSTON	1		1
LETHBRIDGE	1		
LONDON	1		1
MONCTON	1		
MONTREAL	6	2	
MOOSE JAW	1		
NANAIMO	1		
NEW WESTMINSTER	1		
OAKVILLE	1		
OTTAWA	2		3
PETERBOROUGH	1		1
PORT ARTHUR		1*	
REGINA	1		
SARNIA	1		1
SASKATOON	1		
SAULT STE. MARIE			1
TORONTO	4		3
VANCOUVER	2		
VICTORIA	1		
WELLAND			1
WINDSOR	2		1
WINNIPEG	2		
	<u>39</u>	<u>4</u>	<u>14</u>
TOTAL	<u>39</u>	<u>4</u>	<u>14</u>

* Operated under the name of Birks Stitt Credit Jewellers

PEOPLES CREDIT JEWELLERS LIMITED

TORONTO, ONTARIO

April 30, 1968.

TO THE SHAREHOLDERS,
PEOPLES CREDIT JEWELLERS LIMITED.

The accompanying Financial Statements of your Company for the year ended January 31, 1968, are submitted on behalf of the Board of Directors. Sales for the year were \$20,104,625, an increase of \$1,717,783 or 9.34% over the previous year. Net Profit for the year was \$977,477, an increase of \$101,097 or 11.54%. Earnings on the Common and Class "A" Shares for the year after payment of Preferred Dividends, were \$1.37 per share compared to \$1.21 per share for the previous year. Working Capital during the year increased by \$255,317. Dividends declared upon the Capital Stock of the Company during 1967 were 10¢ quarterly for a total of 40¢ per share on both the outstanding Class "A" and Common Shares. As usual the greater part of the earnings has been retained for investment in the further development of the Company.

During the year five new traditional stores were opened in Shopping Centres; two in Montreal (our fifth and sixth), and one each in Ottawa (our second), Nanaimo (our first) and Edmonton (our fifth). In addition a new leased department was opened in a major department store in Ottawa. At the end of the year there were thirty-nine traditional stores, fourteen leased jewellery departments in Department Stores, and four "Carriage Trade" stores, for a total of fifty-seven retail outlets. In addition, Mail Order divisions are located in Toronto and Montreal.

Opened in March last was our seventh store in Montreal and scheduled for opening during the remainder of the year are five traditional stores in Shopping Centres in Edmonton, Winnipeg, Montreal, Kingston and Burlington and one "Carriage Trade" store in the Burlington Shopping Centre.

An interesting development during the current year has been the acquisition from the Elgin National Watch Company of the United States, of the right for the exclusive distribution of Elgin Watches in Canada by a wholly owned subsidiary, "Seejay Limited". This continues the policy of your Company of carefully controlled growth and development in closely associated or allied areas of activity.

The thanks of the Company are due to the more than 900 employees across Canada whose loyalty and devotion have played no small part in the successful efforts that have been achieved during the year.

Respectfully submitted on behalf of the Board.

BERTRAND GERSTEIN,
Chairman.

PEOPLES CREDIT

(Incorporated under the laws of the State of New York)

and its wholly owned subsidiaries

CONSOLIDATED BALANCE SHEET

ASSETS		1968	1967
CURRENT			
Cash	\$	54,708	\$ 49,264
Accounts receivable, less allowance for doubtful accounts of \$393,000 (1967 — \$399,103)		7,295,330	7,271,623
Due from shareholders		25,920	27,120
Merchandise, valued at cost or market, whichever is the lower		5,020,870	4,440,732
Prepaid expenses		41,817	16,135
TOTAL CURRENT ASSETS		12,438,645	11,804,874
FIXED—at cost			
Buildings		2,861,504	2,856,147
Furniture and fixtures		3,268,558	3,106,477
Automobiles		42,047	29,968
		6,172,109	5,992,592
Less: Accumulated depreciation		3,507,542	3,393,861
		2,664,567	2,598,731
Land		1,809,490	1,809,490
TOTAL FIXED ASSETS		4,474,057	4,408,221
OTHER			
5% refundable tax		42,111	39,744
Leasehold improvements, at cost less amortization		76,049	95,107
		118,160	134,851
On behalf of the Board			
Bertrand Gerstein, <i>Director</i>			
Marvin Gerstein, <i>Director</i>			
		\$17,030,862	\$16,347,946

JEWELLERS LIMITED

(Incorporated in the Government of Canada)

and Subsidiaries

AS AT JANUARY 31, 1968

LIABILITIES

CURRENT

	1968	1967
Due to bankers—secured by accounts receivable	\$ 960,947	\$ 1,081,588
Accounts payable	1,074,428	933,724
Income and other taxes payable	674,008	318,426
Dividends payable	67,170	67,170
Mortgage payable—due January, 1969	45,351	—
Instalments on long-term debt due within one year	245,000	287,542
TOTAL CURRENT LIABILITIES	3,066,904	2,688,450
UNEARNED SERVICE CHARGES	270,163	251,232
LONG-TERM DEBT (Note 2)—less instalments due within one year		
6.25% debenture—secured—due June, 1981	3,210,000	3,455,000
Mortgage payable—due January, 1969	—	45,351
TOTAL LONG TERM LIABILITIES	3,210,000	3,500,351

SHAREHOLDERS' EQUITY

CAPITAL STOCK AUTHORIZED:

	SHARES
6% cumulative redeemable first preferred shares, each of \$100 par value	13,448
4% non-cumulative redeemable second preferred shares each of 10¢ par value	10,000,000
Class "A" non-voting, participating shares without nominal or par value	750,000
Common shares without nominal or par value	375,000

ISSUED:

6% first preferred—1968	9,083	908,300	985,200
(1967—9,852)			
Class "A" shares	447,800	168,467	168,467
Common shares	223,900	84,233	84,233
		1,161,000	1,237,900
EARNED SURPLUS		9,322,795	8,670,013
TOTAL SHAREHOLDERS' EQUITY		10,483,795	9,907,913
		\$17,030,862	\$16,347,946

PEOPLES CREDIT JEWELLERS LIMITED

and its wholly-owned Subsidiaries

CONSOLIDATED REVENUE AND EXPENSE FOR THE YEAR ENDED JANUARY 31, 1968

	1968	1967
Sales	<u>\$20,104,625</u>	<u>\$18,386,842</u>
PROFIT for the year before providing for the undernoted items	\$ 2,632,130	\$ 2,233,100
<i>Less:</i>		
Depreciation and amortization	\$327,934	\$288,514
Interest on debentures	222,318	183,169
Interest on mortgage	<u>4,401</u> <u>554,653</u>	<u>7,037</u> <u>478,720</u>
PROFIT before provision for income taxes	2,077,477	1,754,380
Provision for income taxes	<u>1,100,000</u>	<u>878,000</u>
NET PROFIT for the year	<u>\$ 977,477</u>	<u>\$ 876,380</u>

CONSOLIDATED EARNED SURPLUS FOR THE YEAR ENDED JANUARY 31, 1968

	1968	1967
EARNED SURPLUS—beginning of the year	\$ 8,670,013	\$ 8,122,064
<i>Add:</i>		
Net profit for the year	<u>977,477</u>	<u>876,380</u>
	9,647,490	8,998,444
<i>Deduct:</i>		
Dividends paid—preferred shares	\$ 56,015	\$ 59,751
—class “A” shares	179,120	179,120
—common shares	<u>89,560</u> <u>324,695</u>	<u>89,560</u> <u>328,431</u>
EARNED SURPLUS—end of the year	<u>\$ 9,322,795</u>	<u>\$ 8,670,013</u>

PEOPLES CREDIT JEWELLERS LIMITED

and its wholly-owned Subsidiaries

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED JANUARY 31, 1968

	1968	1967
Funds were provided from:		
Operations:		
Net income for the year	\$ 977,477	\$ 876,380
Add: Depreciation and amortization, expenses which did not require an outlay of funds	327,934	288,514
	<u>1,305,411</u>	<u>1,164,894</u>
Increase in unearned service charges	18,931	11,700
Increase in long-term debt	—	1,402,459
TOTAL FUNDS PROVIDED	<u>1,324,342</u>	<u>2,579,053</u>
Funds were applied to:		
Purchase of fixed assets	374,712	389,192
Dividends	324,695	328,431
Redemption of first preference shares	76,900	51,300
Reduction of long-term debt	290,351	—
5% refundable tax	2,367	39,744
TOTAL FUNDS APPLIED	<u>1,069,025</u>	<u>808,667</u>
Increase in working capital	<u>\$ 255,317</u>	<u>\$ 1,770,386</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

January 31, 1968

- Note 1. A number of the Companies' store locations are held on leases entered into for periods from five to ten years. Most of these leases are for fixed rentals; some, in addition, contain percentage-of-sale clauses. The minimum annual rental payable under all such leases currently in force totals \$516,000 and actual rentals paid in the 1967 year amounted to \$672,000.
- Note 2. The 6.25% Debentures are repayable in annual instalments of \$245,000 and are secured by mortgages on the Companies' properties. Under the agreement securing the Debentures, there are various restrictions regarding the payment of dividends. Under the most restrictive of these, approximately \$1,500,000 of earned surplus was not subject to such restrictions.
- Note 3. During the year, remuneration to the Company's directors and officers amounted to \$148,106. This amount included directors' remuneration of \$102,043.

AUDITORS' REPORT

TO THE SHAREHOLDERS,
PEOPLES CREDIT JEWELLERS LIMITED,
TORONTO, ONTARIO

We have examined the consolidated balance sheet of Peoples Credit Jewellers Limited and its wholly-owned subsidiaries as at January 31, 1968, and the consolidated statements of revenue and expense, earned surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated statements present fairly the financial position of the Companies as at January 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.
Chartered Accountants

Toronto, Canada
April 10, 1968

